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TABLE OF CONTENTS

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**** It is proposed to publish from time to time in Lloyds Bank Monthly Review signed articles by economists of standing, affording opportunities to exponents of different theories to state their case. The Bank is not necessarily in agreement with the views expressed in such signed articles.*

Rationalisation: The Cotton Trade

By Henry Clay.

THE scope of Mr. Hammersley's article in the last issue of Lloyds Bank Monthly Review was narrower than its title would suggest. So far from dealing with the rationalisation of the Cotton Industry as a whole, it was in fact restricted to a discussion of the relations of the Bankers' Industrial Development Company with the spinning section of the industry. The chief point to which the argument was directed may be summarised as follows :—

The Lancashire cotton spinning industry has certain peculiarities of finance. Share capital is usually not fully paid up, a large part of the capital actually employed being supplied in the form of loans or deposits by small investors, often work-people in the industry. The rationalisation of the industry involves the calling up of the unpaid share capital, since it involves the liquidation of companies merged in the new rationalised units. The unfortunate shareholders, Mr. Hammersley argues, can pay these calls only if they are enabled to realise in cash their investments in other, financially stronger, companies. It follows, if cash cannot be found for this purpose, that the financially weak companies can be brought into a rationalisation scheme only at the cost of forcing into bankruptcy their shareholders, while the financially strong mills will refuse to come in, because their proprietors want cash to pay calls on other investments. Now the Bankers' Industrial Development Company " is in practice and in fact now the exclusive means through which new capital may be obtained " ; and the Bankers' Industrial Development Company will not provide new capital

to pay cash, wholly or even in part, for mills brought in. Therefore, it is argued, the Bankers' Industrial Development Company is making it impossible to bring into any rationalisation scheme some of the best mills, and is obstructing, instead of assisting, the rationalisation of the industry.

It is difficult to accept this explanation of the delay in the rationalisation of the Cotton Industry, for an obvious reason. Important as it is, the spinning section is not the Cotton Industry. The need of rationalisation—in the sense in which Mr. Hammersley very properly insists that rationalisation is necessary, "the co-ordination of production and the concentration of that production in the most efficient units"—is just as great in the manufacturing and merchanting sections as in the spinning section of the industry. In these the problem of unpaid-up share capital does not exist, or exists only in proportions so slight as to be negligible. Yet there is just as great a reluctance among manufacturers and merchants, as among the directors of spinning companies, to come together; just as great a delay in organising effective joint action to stay the steady loss of trade. If, as Mr. Hammersley asserts, "the rationalisation objective" is "agreed," and if, as he suggests, the proprietors of firms in the industry want cash for their good investments only in order to pay calls on their holdings in less fortunate investments, we might expect the manufacturing and merchanting sections to lead the way. The proprietors are in no danger of bankruptcy from the pressure of calls on unpaid shares; they still have capital "for reconstruction as well as for amalgamation"; why do they hang back, and leave the lead to the embarrassed spinning section?

More general causes must be found to explain the reluctance of the industry to face the need of drastic reorganisation; such causes are not far to seek. There is a lack of conviction as to the economies, on which Mr. Hammersley and the Bankers' Industrial Development Company are in agreement, of large-scale amalgamation. There is a reluctance to sacrifice independence; especially when the merging of a firm in a larger unit involves the sacrifice of directorships, agencies, and other offices to which salaries and commissions are attached. There is the belief, inspired by confidence in one's own efficiency, that one's own firm will escape the general fate of the industry, that the elimination by bankruptcy of other, less efficient, firms will relieve the situation, and that this depression, like previous

depressions, will presently cure itself. There is the reluctance of creditors to face the fact that their advances are lost, and probably irrecoverable, and to compel re-organisation.

It is true that schemes have been discussed in the manufacturing and merchanting sections for mergers based on a cash payment for a part of the assets taken over; but the motive in these cases was not the compelling necessity of providing means to meet calls on unpaid shares in other undertakings, it was simply a desire to get at any rate a portion of the capital invested out of the Cotton Industry. A merchant, whose assets were realisable without much loss, might very well be reluctant to leave them in the industry, if the use and control of them were to pass out of his own hands into those of the directors of a rationalised unit, in which he was only a passive shareholder. In the present condition of the industry, the desire to get capital out of it is natural enough; it does not follow that it is in the interest of the industry as a whole to facilitate such withdrawal.

The case of the firms who want cash simply in order to get their capital out is much more important than the special case that Mr. Hammersley discusses, because it is not confined to the Cotton Industry. In all the depressed industries there are large numbers of firms, the proprietors of which would welcome an opportunity to realise for cash, and get out before trade gets worse. The position that the Bankers' Industrial Development Company has taken up, that it is no part of its business to give them the opportunity, is the only one that an organisation with its objects could have taken up. Any other attitude would have overwhelmed it with offers of businesses that it did not want. So far as the offers were offers it could accept, and it took over businesses for cash, the capital it provided might have assisted the re-organisation, but would have made no *net* addition to the capital resources, of the depressed industry; while, if it was to meet both the needs of those who wanted to get out of the industry and the vital need for new equipment and additional working capital, the maximum amount of capital it could hope to direct to the depressed industries would fall very far short of the demand.

Mr. Hammersley does not perhaps contemplate the payment of cash as a general practice; his argument is rather that the payment of cash should not be ruled out altogether. He criticises as inapplicable to the circumstances of other firms the methods—exchange of securities for assets and provision of new

capital only for new needs—that have been used to form the Lancashire Cotton Corporation, and recalls with truth that many successful amalgamations that have been brought about have involved " the repayment of old debts with new capital." This, however, is to ignore the peculiar position and special functions of the Bankers' Industrial Development Company, about which it is necessary to say something.

The Company was set up, as Mr. Hammersley states, to act as a link between new capital which may be available for investment and industry requiring capital for rationalisation. If it was to supplement, and not merely to duplicate existing agencies, it had to define its field. This was clearly done in the announcement of the formation of the Company. Its object was to examine and assist schemes of rationalisation submitted by the depressed basic industries of the country. This in effect excluded schemes for the assistance of individual firms, and restricted the Company to industries, or sections of industries, in which, owing to exceptional trade depression, capital might be difficult to raise; it also left the initiative in formulating rationalisation schemes with the industries concerned, and confined the Company to the limited but important function of ensuring that approved schemes were not defeated merely by difficulty in raising the new capital on which they depended. Even as defined, the field of the Company's operations was wide, so wide that the Company must always be dependent for schemes on the knowledge, initiative and co-operation of the persons actually conducting the basic industries; and some rough and ready test was needed to discriminate between schemes that, however desirable in themselves, might well be left to other agencies, and those which the Company alone could handle.

The rule that Mr. Hammersley criticises, that the new capital provided was not to be used to pay old debts or replace capital already in the industry, is such a test. The industries concerned are all depressed; all have a heavy burden of debts, accumulated from past losses or unwise financing when trade was good; in all there may well be despair of recovery. In such circumstances the spirit in which the promoters of a scheme approach the task of re-organisation may well be the most important factor in gauging its probable success. If they are prepared to cut their past losses and to pledge their present resources to the re-organised industry, there is a strong *prima-facie* case for supporting them with any new capital that the

re-organisation involves. If, on the other hand, creditors will not make sacrifices, and proprietors are concerned rather with getting out what they have in the industry than with getting back the trade the industry has lost, a not unnatural prejudice is created against the scheme. The scheme may on examination prove to be sound and worthy of support, but an organisation with the special objects of the Bankers' Industrial Development Company, would be raising false hopes if it invited schemes of this character.

This is, of course, not to deny that the repayment of old debts by new capital has been frequent in the past, but only that such arrangements are unsuited to the particular type of amalgamation that the Bankers' Industrial Development Company was formed to facilitate. Where prospects of profitable working are good, still more where recent records of profits are good, it may save time and trouble to buy for cash businesses that are wanted and cannot be obtained in exchange for securities. But the cases with which we are now concerned are in industries, in which losses are more common than profits, and profits are threatened by excessive internal competition. In such cases there is a common interest in combining to co-ordinate and concentrate production, and the Bankers' Industrial Development Company exists to ensure that such re-organisation shall not be frustrated by inability to get the new capital that the rationalised industry will need. A sense of this common interest is the essential prerequisite of any re-organisation, and finance can do little or nothing unless and until this sense of common interest is strong enough to bring the industry together.

Even where the conditions exist under which in the past new money has been used for buying out existing proprietors, payments in cash may be unnecessary, as the recent rationalisation of the Tube and the Driving Chain Industries shows; and the withholding of cash for this purpose need be no hardship on proprietors and creditors who are required to accept securities instead of cash. The securities can be graded according to the value of the assets and claims handed over; and the "good" firms will presumably receive securities ranking higher than those which are tendered in exchange for the "bad" mills. If, therefore, the assets and claims had a saleable value, the securities that represent them after the amalgamation will have the same or an improved saleable value. What a great many proprietors and creditors would like, and sound finance will not give them, is

cash for assets and claims, which doubtless have a value, but are certainly not saleable for cash in the present circumstances of the depressed industries.

It would perhaps be unreasonable to press this, if Mr. Hammersley were right in his view that the formation of the Bankers' Industrial Development Company had closed, instead of supplementing, all other avenues by which the Cotton Industry could seek new capital. It may be the case that it is not possible to get new capital from any other source; but that is due, not to the establishment of the Bankers' Industrial Development, but to the prevailing conditions and prospects of the industry. It may be the case, again, that other financial agencies have softened the bluntness of a refusal by directing applicants from Lancashire to the address of the Bankers' Industrial Development Company; but that is merely their politeness, and does not imply that their response to applications for new capital for the Cotton Industry would have been any different, if the Bankers' Industrial Development Company had never been thought of. All the pre-existing agencies still exist; all are still ready to consider on their merits propositions from Lancashire or anywhere else, and to pay cash for businesses which they consider worth acquiring on those terms. But the circumstances at the moment neither of the Cotton Industry nor of the capital market favour the flotation of new issues to pay off old debts in that industry, and the Bankers' Industrial Development Company, with the re-equipment and re-provisioning with capital of all the basic industries to think of, is not in a position to take on additional obligations, which other financial agencies have decided it is unsafe to assume.

The danger, that Mr. Hammersley anticipates, of a concentration of production in the less efficient concerns, does not depend on the terms of amalgamation. No amalgamation, on any terms, should be carried through, unless it included a sufficient number of technically efficient units to enable the rationalised concern to operate effectively. The safeguard is to be found, not in the terms on which the amalgamated units are taken over, but in a rigorous technical and commercial examination of the assets offered to the combine. In the case of the Lancashire Cotton Corporation, for example, a fifth of the spindles offered to the Corporation have been refused without the question of terms being involved. On the other hand, it is quite possible that exceptionally efficient or strongly financed

firms would refuse to come into an amalgamation, even if the terms on which they would be taken over included payment wholly or in part in cash ; or they might hold out for terms that would neutralise any advantage in including them. They might prefer independence, or disbelieve in the virtues of amalgamation ; or, believing in amalgamation, they might prefer to wait until some of the redundant capacity in the industry had been eliminated by bankruptcy. The case that Mr. Hammersley takes as typical, in which firms, essential to a rationalisation scheme, stand out for cash and for no other reason, is exceptional, and raises a presumption against the possibility of effecting rationalisation on any terms.

It is admitted that the Cotton Spinning Industry is suffering under peculiar financial difficulties ; but these are not of a kind that the Bankers' Industrial Development Company can remove. The system of financing mills by accepting deposits on the security of unpaid share capital, a fair-weather system at the best, has become a disability for two reasons ; in the recapitalisation boom of 1919-1920 two-fifths of the spindles of the industry were bought and sold, at an average price six times their pre-war capitalisation, and of the price paid half was borrowed ; and since 1920, the industry has been depressed. There can be few cases in which the use of new money to pay out in cash proprietors and creditors of companies taken over has proved so calamitous to the investors who took the responsibility of finding the new money. If it were certain that the £15 million, which it is estimated they are still liable to be called upon to pay, would be used " for reconstruction as well as for amalgamation," the outlook would be less depressing ; but it is certain that the £15 millions will, unless there is some general reconstruction of the industry, be used for the same purpose as the £24 millions that have preceded it—to meet trading losses, interest charges that were not covered by trading profits, and liabilities on liquidation.

" What the trade requires," Mr. Hammersley concludes with both force and truth, " is a rationalisation programme which will reduce the fixed interest charges in efficient companies to an agreed economic figure and ensure the concentration of production in these units." That reduction of interest charges will not be effected merely by the Bankers' Industrial Development Company, or anyone else, taking over from other creditors an unchanged volume of debts ; the new creditors would want interest as much as their predecessors did. It can be effected

only by writing down of debts, or the substitution of income bonds or ordinary shares for cumulative fixed interest charges. The debts that handicap the industry represent losses that have been incurred, and the basis of any rationalisation scheme must be the recognition of this fact in the capitalisation of the re-organised industry.

It is because the Lancashire Cotton Corporation scheme provides for the reduction of fixed interest charges and the concentration of production in efficient units, that it is likely to appeal to the Bankers' Industrial Development Company. The latter has no " prejudices or partial affections " in respect of the Corporation. I know of no reason for believing that it will not consider with complete impartiality any other scheme, put forward by any other interest in any of the depressed basic industries; but it is unlikely to give prolonged consideration to any scheme that bears on its face evidence of distrust in the future of the industry if the scheme is adopted. And the refusal of creditors and proprietors of important units in the proposed scheme to accept the securities of the rationalised concern would be such evidence.

Britain's Balance of Payments

IN any discussion on the relation between British imports and exports, it is common ground that our foreign trade in goods alone only tells a portion of the story, and that, to complete it, allowance must be made for services sold by Great Britain to the rest of the world, and also for the annual income earned by British capital invested overseas. In fact, the many transactions which between them determine whether or not we had a debit or a credit balance against the rest of the world as a result of the year's operations, can be resolved into three main groups. These are :—

(1) *Goods and services.*—These include the whole of our imports and exports of goods, as shown in the monthly trade returns, and also the net earnings of British shipping companies, banks, financial houses and insurance companies in respect of services rendered by them to the rest of the world, less any expenses incurred by them abroad. This group includes payments to the Home Government in respect of home charges debited to the account of India, and it also includes the expenditure in Great Britain of foreign tourists, and other visitors to our

shores. Small off-sets are to be found, of course, in services rendered to British nationals by foreign undertakings, and in the expenditure of British tourists abroad.

(2) *Interest*.—The main item here consists of the dividends accruing and paid each year on the huge mass of British capital invested overseas. A small off-set here is the interest upon foreign capital invested in Great Britain, including the interest on our debt to the United States.

(3) *Capital*.—Every day, there is a constant movement to and fro of both long-term and short-term capital between Great Britain and foreign countries. British purchases of foreign securities, British loans to overseas nations, foreign sales of British securities, the transfer of bankers' balances from London to other centres, the sale by foreign holders of sterling bills of exchange are all examples of the transfer of capital out of Great Britain; and all have the same effect upon the exchanges as payments by Great Britain for foreign goods or services or in respect of interest on foreign capital invested here. So, too, are there many items on the other side of the account whose nature can easily be determined by reversing every one of the examples already cited.

Now there are two important distinctions to be drawn between the first two groups on the one hand, and the last group on the other hand. The first two groups represent together Great Britain's income account for the year, and between them they give the answer to the vital question, are we or are we not paying our way? The last group, if it could be resolved into its constituent items, would show how we employ the proceeds of our year's trading. It must be emphasised that between them the three groups cancel each other out, except for the difference—small in comparison with the total figures—represented by gold movements to and from this country. This follows axiomatically from the fact that every purchase of foreign exchange involves an equivalent sale.

This is the first important distinction. The second is that while the magnitude and composition of the first two groups are calculable within certain limits of error, the magnitude of the third group can only be deduced from that of the first two, with due allowance made for gold movements, while its composition is wholly incalculable. We know at the end of each year that we had a certain margin in hand for investment

over-seas, but for all we know we actually invested abroad at long-term a greater or less amount, the difference, plus or minus, being taken up by countless transfers of bankers' balances and other short-term funds between London and foreign centres. Even the amount invested at long-term in foreign securities is a matter of guess-work. New capital issues made on foreign account in the London market during the course of the year are a certain guide, but in addition to these there are the numberless purchases and sales of existing securities, both British and foreign, between London and foreign centres, and it is quite impossible to disentangle these transactions under various headings, or to estimate the magnitude of each.

Still the official Board of Trade calculations of the annual "balance of payments," given below, are an answer to the main question, to what extent are we paying our way? An inspection of the table shows that it covers all the items comprised in groups (1) and (2) as defined above, and also bullion movements, though the Board of Trade classification is such as to render it impossible to deduce from the returns separate totals for each group :—

Balances of Income and Expenditure in the transactions (other than the lending and repayment of capital) between the United Kingdom and all other countries.

	1928	1929	1930
	In £ million.		
Excess of imports of merchandise	352	382	387
Bullion imports (+) or exports (−)	+6	−16	+5
Excess of imports of merchandise and bullion	358	366	392
Estimated excess of Government Receipts from overseas*	15	24	21
Estimated net National Shipping Income†	130	130	105
Estimated net income from overseas investments	270	270	235
Estimated net receipts from short interest and commissions	65	65	55
Estimated net receipts from other sources	15	15	15
Total	495	504	431
Estimated total credit balance on items specified above	137	138	39

It is clear from the result that the depression of 1930 has reduced our receipts from abroad all along the line, while unfortunately our surplus of imports over exports of goods has remained practically unchanged. The result is that our margin of receipts over expenditure has fallen sharply from £138 millions in 1929 to £39 millions in 1930.

Bad trade and low freights account for the shrinkage in our shipping earnings, while low commodity prices and the decline in the volume of trade explain the fall in our receipts from commissions, which vary as the total *value* of the business

* Including some items on loan accounts.
† Including disbursements by foreign ships in British ports.

London is asked to finance. Short interest rates, too, were much lower in 1930 than in the previous year, and it is conceivable that net insurance earnings have fallen. Finally, our income from overseas investments has appreciably suffered from the world-wide character of the depression.

Still, even after these explanations, the fact remains that our net earnings have fallen, and this means that on balance we have had less money available for investment overseas. So far as the returns of new capital issues alone are concerned, in 1929, according to the " Economist " calculations, there was offered in the London market £87·2 millions on foreign account, and in 1930 £97·2 millions. Thus, last year, we exceeded our margin on current account by £58·2 millions, and this excess can only have been compensated for by such operations as maturities of, or sinking fund payments on outstanding foreign loans, foreign purchases of British securities, British sales of foreign securities and the transfer of short money to Great Britain. There is no means of telling which of these last factors came chiefly into play, and it is possible that one or more of them pulled the wrong way.

The lesson of these figures is clear. At a time when our margin of earnings on current account is reduced it is essential that nothing should be done to impair the strength of British credit, or to discourage capital, whether long-term or short-term, from coming to or remaining in Great Britain. That is the duty thrust by the present trend of events upon the Government, and the people of the country, alike.

Finance and Industry

(7) The Clearing of Cheques (a).

ONE of the main functions of banks is that of enabling their customers to make payments to each other, without the trouble and risk of sending money by hand or by post, and the chief instrument which enables banks to perform this function is the cheque. It is a common-place that in England payments by cheque are many times greater in the aggregate than are payments by currency, but the importance of this fact is seldom realised. To illustrate it, it is not too much to say that were cheques to cease to be available, the currency in existence would only be sufficient to carry on the merest fraction of the business of the country.

This article is not concerned with the mass of case-law and statute-law surrounding the cheque, and so a cheque will here be regarded as an order by the drawer to his banker to pay the sum of money involved to the payee; and it will be further assumed—as is the case in the vast majority of instances—that the payee " pays in " the cheque at his own bank, who presents it to the drawer's bank, and collects the proceeds. Thus four people are involved—the drawer, the payee, the drawer's bank, known as the " paying bank," and the payee's bank, known as the " collecting bank." What happens is that the paying bank pays the money and debits the drawer's account; and the collecting bank collects the money and credits the payee's account. The result is that while the drawer pays " money " over to the payee, the actual transfer of money is from the paying to the collecting bank. Of course, when both drawer and payee have their accounts at the same branch of the same bank, no transfer of money is necessary. All that happens is that the appropriate entries are made in the accounts of the two customers concerned.

Every day every branch of a bank has to deal with scores and hundreds of cheques, either as collecting or paying bank; and in each of these operations its " opposite number " may be one of a score or hundred different banks, scattered all over the country. To deal with operations of this complexity a very simple machinery has been evolved, and this is now briefly described.

The machine begins to work so soon as a customer hands a cheque over the counter to be " credited to his account." With this cheque he hands in a credit or paying-in-slip, bearing his name and the amount of the cheque. The cashier examines these to see if there is any obvious irregularity,* and then stamps the bank's name and branch on the cheque for identification purposes. The cheques are then entered on a sheet, or at some offices in a book, under their respective clearing headings, Town, Metropolitan, Country, etc., as described below. Next the credit slips are detached from the cheques, and entered in a " day book " for accounting purposes, and finally posted in the ledger on the credit side of the customer's account. As a rule the customer's pass-book is written up from the ledger, as and when arranged.

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* Thus, the drawer may have forgotten to sign the cheque !

To return to the cheque. All cheques paid in at the bank are sorted as described below, and are made up in bundles with a list attached to each bundle giving in a single column the amount of each cheque, with the total of all the cheques in each bundle at the bottom. This list is called a " charge." Cheques drawn upon other branches of the same bank are sorted into separate bundles for each branch. Cheques drawn upon other banks who are members of the Clearing House are divided into three bundles (each with its charge) for each bank—one for its " Town " branches, one for its " Metropolitan " branches, and one for its " Country " branches. Town branches are those situated within ten minutes' walk of the Banker's Clearing House, just off Lombard Street. Metropolitan branches are those within thirty minutes' journey of the Clearing House. Country branches include all other banks scattered all over the country. To make it easier to sort cheques according to this classification, all cheques have the letter T, M, or C printed in their left-hand bottom corner. Cheques drawn on banks who are not members of the Clearing House are sorted in ways which will be described next month.

When the bundles reach head office, all those relating to other branches of the bank go straight to the department responsible for the internal clearing of the bank's own cheques. The remaining bundles are sent over by the out-clearing departments (of which there are one each for town, metropolitan, and country clearings) to the Banker's Clearing House at the appointed times. The Clearing House opens for clearing town cheques from 10.30 to 11.5 a.m., and from 2.30 to 3.50 p.m. It deals with metropolitan cheques between 9.0 and 10.30 a.m., while its period for country clearing is between 10.30 a.m. and 12.30 p.m.

At the Clearing House the representatives of the ten big banks who are members of the Clearing House meet and interchange the bundles of cheques with each other. The recipients of the bundles, known as " in-clearers," list the amounts of the cheques afresh upon a new sheet known as the " in-clearing " list. These are agreed if practicable with the charges brought over from the out-clearing departments of the various banks, but, owing to the speed with which the work must be done, an immediate agreement may not be possible. In such cases the in-clearing totals are temporarily assumed to be correct; and any necessary adjustment is made subsequently.

During the time the Clearing House is at work, " runners " are continually going backwards and forwards, taking with them cheques from the out-clearing departments, and bringing back with them in-clearings or cheques drawn on the bank itself. These cheques are received by the relative clearing departments at the bank's head office, and it is in these departments that the final sorting takes place, this time into a separate bundle for each branch of the bank. Meanwhile the department dealing with the cheques drawn upon the bank's own branches has been at work sorting and listing these cheques. At the end of the day all these bundles are sent by hand or by post to the different branches. On their receipt there they are examined to see if all is in order. If for any reason a cheque cannot be honoured, it is posted or sent direct to the branch at which it was paid in (as revealed by the stamping on the cheque), and the branch re-debits the customer's account, and sends the cheque back to him with an explanation of what has happened. Otherwise, the amount of the cheque is entered in the drawer's ledger account and pass-book on the debit side, and in London is finally put in the pocket of the drawer's pass-book to be returned to him. In the country, however, paid cheques are not returned to the customer as a general rule.

To return to the Banker's Clearing House. At the end of each day a balance is struck between each bank's in-clearings and out-clearings of the whole day. This balance includes all Town cheques cleared on that day, all Metropolitan cheques cleared the day before, and all Country cheques cleared two days before. Where a bank's in-clearings are the greater, it *pays* the difference to the Clearing House, and where its out-clearings are the greater, it *receives* the difference from the Clearing House. Each bank and also the Clearing House itself possesses an account at the Bank of England, and as explained in a previous article the bank's balances in their accounts at the Bank of England form part of their " cash." Obviously the Clearing House's payments and receipts exactly cancel out, and the final result is that each bank gains or loses the amount of " cash " corresponding to the difference between its out-clearings and in-clearings. Thus the actual payments of money between the different banks corresponding to the extent to which each bank is " up " or " down " on the day takes the form of transfers between the different banks' balances at the Bank of England.

This is a brief description of the main clearing mechanism, by which thousands of inter-bank claims arising each day are reduced to a single payment, while hundreds of cheques are concentrated each day and redistributed to their ultimate destinations. There are numerous important details and special cases still to be explained, including the position of the Bank of England and of banks who are not members of the Clearing House. The function of the Provincial Clearing Houses must also be described. These, however, must be left until next month.

Notes of the Month

The Money Market.—The outflow of gold to Paris, briefly referred to in the previous issue of the Review, speedily reached such serious dimensions as to call for special action. It was on January 16th that the Banque de France decided to accept standard gold—or gold of the fine-ness delivered by the Bank of England—and by doing so put an end to the previous restriction of £300,000 a day on the rate of outflow. During the next twelve days, £7,000,000 in gold was withdrawn from the Bank of England for shipment to France, and as at the same time there was danger of gold going to New York, decisive action had to be taken. On January 24th, it became known that London market discount rates were considered to be too low, and the following week the Bank of England began to sell bills in the " open market." The motives behind the Bank's action—which up to the middle of February had proved entirely successful—were these :—Gold was going to Paris, because more people were sending money from London to Paris than in the reverse direction. Thus it was necessary to stimulate a flow of money from Paris to London, and the easiest way to do this was to make sterling bills cheap enough to be attractive to Paris financial houses. Now the price of a bill represents its face value less the rate of discount on that bill, so that high discount rates betoken cheap bills. Also, if the Bank of England (or anyone else) decides to sell bills in large quantities, and if the opinion is expressed that people should not buy bills in such quantities as to keep these prices up, then bills become cheaper and discount rates rise. This is actually what happened. The rate of discount on three months' bills rose from $2\frac{1}{4}$ to $2\frac{5}{8}$ per cent, and these latter rates proved attractive to Paris, and also

to New York buyers. Money came to London from Paris and New York, the action of turning this foreign money into sterling improved the exchanges, and on January 28th gold ceased to go to Paris. The one defect of this policy was that at first it left the money market short of funds. The more bills the Bank sold, the more cash was absorbed by the Bank in payment for these bills, and it must also be remembered that during the past month the Bank has been steadily absorbing cash on behalf of the Government from everyone who has been paying their taxes. Hence money was for a time very stringent, and early in February the Bank had to buy some bills instead of selling them, in order to save the money market from having to borrow from the Bank. Still, the Bank was able to do this without depressing discount rates, and on February 17th money suddenly became easier. Thus the Bank could fairly claim that it had checked the flow of gold to France without being forced to raise its rate of discount.

The Foreign Exchanges.—The rise in London discount rates, described above, brought about a general improvement in sterling, and early in February the New York rate rose above \$4.86, the Paris rate to Frs. 124.00, and the Berlin rate to Mks. 20.44⅛ or to above parity. This recovery, however, never had a very secure basis, as was shown by the fact that at that date forward francs and dollars, for delivery in three months' time, were dealt in at substantial premiums over the corresponding spot rates quoted above. This was a clear sign that operators were not confident that sterling would maintain its value, and when in the middle of February political developments had unfavourable repercussions in the City, the foreign exchanges at once moved against sterling. Fortunately, all the ground previously gained as a result of the Bank's open market policy was not lost, but it is clear that if once the efforts to maintain high discount rates were relaxed, or if further untoward political developments occurred, there is danger of the foreign exchanges moving against the pound to an extent which would cause the efflux of gold to be resumed.

The Stock Exchange.—The past month has witnessed several important new capital issues. Prominent among these was a new Indian 5½ per cent loan, redeemable in 1936–38. £12,000,000 of this was offered for cash at a price of £97 per cent, while £5,000,000 took the form of a conversion operation.

Another important issue was that of £3,000,000 5 per cent debenture stock of the London Power Company, offered at £100 10s. per cent, while the Surrey County Council and the London and National Property Company also made issues of an appreciable amount. All these issues were successful, and this shows that there is plenty of money seeking investments of a sound character. Unfortunately, the trend of events on the Stock Exchange has been less favourable. There was a serious reaction in gilt-edged stocks as a result of the revelations as to the serious state of the national finances made both before the Unemployment Insurance Commission and in Parliament itself, and certain political speeches also had an unfavourable effect. Australian stocks, in their turn, have weakened seriously, as a result of political developments, while the announcement of the reduction in the London, Midland and Scottish ordinary dividend caused sharp falls in the Home Rails market. Industrials have been dull, with the exception of an improvement early in February in certain shares which are also dealt in in New York. The end of January witnessed a sharp improvement in gold mining shares, partly due to certain technical reasons. Rubber shares weakened in sympathy with the fall in the price of the commodity.

January Overseas Trade.—By no stretch of imagination can January be said to have opened the year well. Compared with January, 1930, total imports showed a decline of 25·8 per cent and British exports one of 35·5 per cent, and these are far too great to be explained by the year's fall in prices.

Description.	January, 1930.	January, 1931.	Increase (+) or Decrease (–).
	£ mill.	£ mill.	£ mill.
Total Imports	101·8	75·6	–26·2
Retained Imports	93·6	69·6	–24·0
Raw Material Imports	30·1	17·9	–12·2
Total Exports, British Goods	58·3	37·6	–20·7
Coal Exports	4·7	2·6	– 2·1
British Manufactured goods, Exports ..	44·7	28·7	–16·0
Re-exports	8·2	6·0	– 2·2
Total Exports	66·5	43·6	–22·9
Visible Trade Balance	–35·3	–32·0	– 3·3

To some extent the poor January results can be accounted for by the extensions of the Christmas holidays into that month, though these in their turn are the direct consequence of bad

trade. The coal and cotton labour disputes, no doubt, were also contributory factors. Yet, even when every allowance of this kind is made, the January returns cannot be viewed with equanimity.

Home Reports

The Industrial Situation

In some respects, recent developments have been favourable. The settlement of the cotton dispute represented a notable gesture on the part of mill-owners, and the January steel production returns were better than those of the previous month. Commodity prices also displayed greater firmness towards the end of February. On the other hand, the January overseas trade figures were discouraging, and there is still no sign of that general restoration of confidence which alone can cause business to revive. The financial situation of the country and the outlook for the approaching budget are rightly giving rise to increased anxiety, and it cannot be too strongly emphasised that the maintenance of the national credit and the restoration of the national finances to a sound basis are conditions essential to trade recovery.

Agriculture

England and Wales.—According to an official report, outdoor work was hindered during January by excessive rains. The condition of autumn sown crops was generally good. Potatoes were satisfactory in a few districts, but there is a general prevalence of disease. Prospects for the lambing season were promising, but drier weather was needed. Milk yields were normal.

Scotland.—Tillage has been retarded by the wet and stormy weather, and although the Winter has been a comparatively open one a spell of dry weather is needed. Grain prices have been steady but dealings are inactive, barley especially being a dull market. There have been more potatoes on offer, and prices have inclined to ease. Fat cattle have come forward in large numbers, and good quality medium weight bullocks are the only class to maintain their price.

Coal

Hull.—Output has been reduced, but Collieries are still having difficulty in maintaining prices.

Newcastle-on-Tyne.—There is a fair demand for Best Gas Coal, and for Best Steams, both Durhams and Northumberland. Second qualities are not so favourably placed. For Bunker descriptions there is only a moderate demand. Coking Coal and Foundry Cokes are moving slowly at nominal prices.

Sheffield.—Demand for industrial fuel is dull. Export business is fair. A moderate tonnage is being shipped, but supplies are on the heavy side. House Coal is in fair request, and all prices are firm.

Cardiff.—Demand for all classes of Large coals is steady and many Collieries are comfortably placed. Small coals are plentiful, both for prompt and forward loading. The sized coals market is easier, especially for the lower volatile types, but the demand for Bituminous Washed Beans and Peas continues good. Best Anthracites are firm and some of the broken classes are practically unobtainable, but the cheaper qualities are plentiful and easy.

Glasgow.—Export trade is seriously handicapped by the keen competition of Polish coal which is offered in all continental countries at considerably lower prices. Fresh sales are invariably confined to coal for early shipment, as speculative forward selling is regarded by exporters as unduly risky owing to the operation of the quota output system and the general uncertainty created since the Coal Mines Act took effect. Home demand is diminishing as is usual at this season of the year, with the result that some classes of round coal are now less scarce for shipment, while washed nuts are still very weak.

East of Scotland.—The Fifeshire position is slightly easier for all classes of coals, particularly for steams and washed fuels, the position of the latter being now rather unsatisfactory. In the Lothians there is a fair demand for navigation coal, but other classes are difficult to keep moving.

Iron and Steel

In some ways January was a better month than December, for steel output expanded, and the number of furnaces in blast

increased by seven during the month. The general outlook, however, remains very depressing.

Birmingham.—Business is very disappointing and forges are still working short time.

Sheffield.—The present month has failed to bring any relief. Activity is confined to a few special lines such as seamless forgings, cold rolled strip, stainless steels and special alloy steels. Railway requirements are disappointing and overseas business below normal levels. The market for steel scrap is stagnant and forward business absent.

Wolverhampton.—Conditions remain very dull, and demand continues flat with foundries short of work.

Glasgow.—Demand remains very restricted, and plants are still being operated at a rate considerably below productive capacity. Home consumers are placing orders only for their immediate needs, and export business is handicapped by tariffs in Australia and political disturbances in India. It would appear that no improvement can be expected until there is a revival in the demand from those markets, such as Canada, which begin to open up in the Spring months. The pig iron trade is particularly depressed, and only seven furnaces are in blast. Adverse factors are the very restricted requirements of consumers and the competition of English and Indian iron.

Engineering

It is far from easy to detect any genuine signs of an improvement, but there is still a confident undertone in the industry. Builders of locomotives and rolling-stock remain relatively well placed, and makers of agricultural machinery are shortly expecting a slight seasonal revival.

Birmingham.—Heavy engineering is still depressed, but the electrical section is a little brighter. Trade in motor-cars and accessories is now irregular, but a few factories are still busy. Two manufacturers of cars have recently brought forward new cheap models.

Coventry.—The motor-car trade continues quiet, but several factories are busily engaged. Fresh foreign markets are being thoroughly explored by manufacturers. The pedal-cycle trade is keeping up well. The motor-cycle trade is very quiet, but is expected to improve with better weather conditions. The general

lack of confidence deters agents from holding other than small stocks. Electrical engineering is dull. Losses of orders for wireless goods have been largely compensated for by an increase in work connected with "Talking" films. The machine tool trade shows little change, but a slightly better feeling now prevails.

Luton.—Hydraulic engineers report trade to be slow and uneven. Makers of cars and light and heavy lorries are busy. The motor component trade is uneven, and works are not fully employed.

Sheffield.—The general engineering trades remain unchanged, and manufacturers find it increasingly difficult to keep their shops employed. Makers of farm and garden tools are disappointed with the smallness of the orders that are coming to hand. Conditions in the file trade are flat and show no signs of improvement. The hacksaws and engineers' small tool sections are the healthiest branches of the trade.

Wolverhampton.—No evidence of improvement has shown itself, and orders are scarce. The motor trade is disappointing for the time of the year, and in some instances there are diminished order books. The trade depression has severely curtailed orders for commercial vehicles.

Glasgow.—Marine engineers are feeling the effects of the depression in the shipbuilding industry and the continued lack of contracts for tonnage, and there is no possibility of an improvement until world trade expands and owners see an opportunity to find profitable employment for new boats.

Metal and Hardware Trades

Sheffield.—Trade in the cutlery and plate sections is worse than it has been for years, both the home and overseas markets being affected. The political situation in India and the financial crisis in Australia have dealt the trade a heavy blow. Exports of cutlery for January show a decrease of 15 per cent as compared with January of last year, whilst imports for the same month show an increase of over 30 per cent.

Wolverhampton.—A slightly better tone is reported in the lock trade and prospects are rather brighter. In the hardware trade competition is keen and remunerative business is hard to get.

Cotton

Liverpool.—Business on the spot has continued very quiet, though in view of the dislocation to trade caused during the first portion of February by the Lancashire labour troubles, daily sales compared not unfavourably with those of recent months, with American showing a slightly higher proportion. Notwithstanding the bearish statistical position and the continued bad state of trade, prices have been surprisingly firm throughout, on a pronounced scarcity of contracts and a certain amount of speculative support from the United States. Apparently opinion in that country is inclining to the view that the Federal Farm Board will be able to keep its 3 million bales off the market indefinitely, but for the success of the Board's policy it is vital that there should be a material reduction in the current year's crop. Opinions in this connection are necessarily premature at this early stage, but known factors bearing upon the subject are the small winter rainfall, mild temperatures pointing to increased boll-weevil survival and large reduction in fertiliser sales, whilst the Farm Board itself is sparing no efforts to bring about a substantial reduction in the planted acreage. It is evident, however, that the further the recovery in prices proceeds, the less the incentive to the growers to restrict their sowings. Egyptians have displayed a strong tone, with a certain amount of Continental buying in evidence.

Wool

Bradford.—As a result of the slight recovery in prices which occurred in the second week of the London Wool Sales, a strong demand for the raw material has arisen in the primary markets. There has also been a good deal of covering in this market, and it is pleasing to know that merino tops are moving steadily. Crossbreds are also firmer, and altogether the market tone is better than it has been for some time past.

Huddersfield.—There is no improvement in the worsted section. Owing to lack of confidence the trade outlook is uncertain. The Argentine Government has under consideration the increase of existing tariffs, and South American markets generally are unsettled. The raw material position is fairly satisfactory, and a rather better feeling prevails in the woollen cloth section.

Hawick.—While some of the tweed manufacturers report a slight increase in business, there is still a good deal of short time being worked. Confirmations for the winter are by no means bulky, although a few repeats for the present Spring season are still being received and these are helping matters. The hosiery branch is not making much headway, and the demand for knitted woollen goods for outdoor wear is very restricted.

Other Textiles

Belfast.—Supplies of Irish flax are small, and prices unchanged. The Latvian Government have lately made their first bulk sales for the season. These amounted to about 3,000 tons, and 4,000 tons are left in stock. Up to about 15,000 tons of Soviet flax have lately been sold. Prices have been marked up by £3 to £4 per ton. Yarns have recently been bought in fairly large quantities, consisting mainly of tows and medium line numbers. Weavers have received numerous small orders for quick delivery, and the tone is now more cheerful. There is a moderate demand for dress linens, but American buyers are slow in placing orders.

Dundee.—Calcutta jute goods prices have lately been raised as a result of short time proposals, but home prices still lack interest.

Dunfermline.—The low level of prices has stimulated some fair sales of linen goods, but the volume of business is still lower than the industry had been hoping for since prices reached their present low level.

Clothing

Leicester.—With the exception of a certain number of firms who make fancy goods, the hosiery trade is very quiet.

Luton.—The ladies' hat trade is still inactive, and the recent cold weather has adversely affected orders for the Spring trade.

Leather and Boots

Bristol.—Conditions in the boot and shoe trade since the opening of the year have been exceedingly quiet. The demand for Spring goods has not materialised to any appreciable extent. Retailers have been occupied with Winter sales and consequently have given little thought to the replenishing of stocks. Some

orders have, however, been placed for forward dating, as an early Easter gives indication of a probable demand for lighter footwear. Enquiries for cheaper footwear to look like more expensive articles still continue, and several manufacturers are turning their attention to such ranges. The opening months of the year have been disappointing. Prices in the leather trade have been stable, with a tendency to ease, but buyers have not been attracted.

Leicester.—Certain shoe manufacturers have experienced a slight improvement in orders, but the home trade is very quiet. Business is very much affected by the trade depression in the north of England. Export trade is very poor.

Northampton.—Leather prices are uncertain, and with the exception of fancy leathers demand is poor. Export trade is bad. Northampton boot and shoe manufacturers are still having to work short time, and trade is slow, there being little forward business.

Shipping

Hull.—Demand for tonnage is meagre and rates for all directions remain low.

Liverpool.—There has been active chartering for prompt and early loadings in the River Plate section, and a good deal of business has been done at around 20s. per ton, which figure equals the highest reached during 1930. In other sections, trade has been inactive, and rates show no improvement.

Newcastle-on-Tyne.—With a good supply of tonnage and scarcity of orders, owners have had difficulty in maintaining their rates. There is, however, a somewhat better tone, and any change in rates will probably be in owners' favour.

Edinburgh.—About twenty vessels were on loading turn at the Forth coaling ports towards the end of February, but local coal exports are showing a decided drop, this being attributed to the recent Coal Mines Act. Other branches of shipping at the port of Leith are also dull.

Glasgow.—A very restricted business is being done in the coal freight market owing to the scarcity of c.i.f. orders for loading at ports in the West and East of Scotland. Though rates are not being thoroughly tested, the undertone may be described as easy.

Foodstuffs

Bristol.—New Zealand cheese has lately been selling at less than its pre-war price. New Zealand butter has lately risen in price as a result of heavy continental buying. Danish bacon has fallen to what is believed to be unprecedently low prices.

Liverpool.—There has been a fairly active trade in Wheat, with a good turnover in Argentine and Australian cargoes, and a better demand from millers. The tone has been much firmer, chiefly in response to a better export demand in Canada, though reports of crop damage in Argentina were a supporting influence. In spite of steadier markets, however, there is no material change in the supply position, and the knowledge that three important producers, namely, Russia, Argentina and Australia, are under the necessity of marketing their respective surpluses almost as soon as they are available, is likely to act as a check to any continued recovery at present. Maize has been in good consumptive demand, but supplies remain heavy, and quotations show only a slight recovery above the lowest point. Continental bacon and hams were in large supply, and, stimulated by the low retail values, consumption was very satisfactory. Lard was in fair supply and rather lower in price. Butter proved a firmer market, and advanced sharply with a good demand. Canadian cheese was in small supply, but New Zealand values improved a few shillings during the month, and trade on the whole was good. In the canned goods section meats and fruits were only in moderate demand with prices easier.

Fishing

Lowestoft.—The new year has opened under less favourable auspices than a year ago. The landings of wet fish in England and Wales and Scotland during January amouted to 59,581 tons valued at £1,344,332. As compared with the corresponding month in 1930 this shows an increase in quantity of 1,926 tons and a falling off in value of £210,446. Complaints were general as to the scarcity of fish in the North Sea. The East Coast herring trade was in a more depressed state than for some years, this being due to the large surplus of unsold herrings cured at Yarmouth and Lowestoft last autumn.

West of England.—Fishing at Newlyn has been exceptionally quiet, only a few Belgian trawlers using the port. The local boats have very recently returned from Plymouth, where they have experienced a fair season. In Torbay, landings for the month of January were well up to the average, and prices were maintained.

Scotland.—The line fishing on the East Coast continues to be fairly successful, and at the herring fishing ports a large number of buyers, including some from the Continent, are now present. Returns continue to be moderate, and catches are fetching high prices.

Other Industries

Timber.—The Hull trade during the past month showed little signs of improvement, this being partly due to the bad weather. There is, however, still a good demand for building timbers and floorings, and the mills are fairly busy with manufactured goods. The Central Softwood Buying Corporation are now offering the Russian landed stocks, which they have taken over from January 1st, at low prices, and this has brought stocks of Swedish and Finnish goods down to a similar level. The Russian goods for F.O.W. and later are now offered to the trade at much less than last season's figures, and there is a good demand.

Carpet-making.—The makers of Wilton and Tapestry carpets in Kidderminster are having a very quiet time, and most of the mills are not working to their full capacity. Axminster manufacturers are better off, but trade is principally in a low quality cloth which has been specially got out to try to meet the tremendous foreign competition from which the industry is suffering. The financial crisis in Australia has had a serious effect on the trade, as owing to the high rate of exchange which has to be added to the freight and duties for goods sold from stock in that country, sales to-day are very limited. Trade with Europe is also a diminishing quantity, owing to the very severe competition from Germany and Czecho-Slovakia, as a lower rate of wages and longer working hours enable the manufacturers abroad to produce goods at prices against which British manufacturers cannot compete.

Pottery.—The volume of business is smaller than has been experienced at this period of the year for a long time past.

Some makers report a small improvement in the home market, but generally speaking trade is dull. Orders from overseas have fallen away, Australian trade now being much below previous levels.

China Clay.—As a result of the dissolution of the China Clay Association, and the break in prices which has followed, it is possible that some of the less remunerative pits may be closed down.

Paper-making and Printing.—The Edinburgh paper-making trade is fairly busy, most of the mills being on full time. The bulk of the orders are coming from Scotland and the South, and export trade shows little improvement. The printing trade is not so good, there being a good deal of unemployment, but Edinburgh is said to be a little better than some other towns in this respect. Prices are very low.

Dominion Reports

Australia

From the National Bank of Australasia Limited

Seasonal conditions are favourable for pastoral production; grass is abundant and fodder crops are growing vigorously. Butter production is well maintained, and the wheat crop, though affected by rain in two States, may still attain record dimensions. Produce exports are being stimulated by the high premium on sterling, but the wheat market is disorganised by the price depression and by legislative interference. Trade generally remains bad, and unemployment is increasing.

India

Bombay mail advices state that raw cotton prices were steadier, with sellers displaying greater resistance. The political situation remained very uncertain, even after the London declaration of January 19th, and the release of the Congress leaders. Sales of Manchester goods consequently remained very restricted, and as prices have weakened, many dealers are in a serious position. Sales of Indian made piece-goods were also checked by frequent market closures, and prices were weak. The general undertone, however, remained steady, and according to later cable advices, demand, both for Indian and Manchester goods, has become a little freer.

Irish Free State

The trade returns for 1930 show that imports were £4,563,000 and exports £2,039,000 below the corresponding figures of the preceding year. The relative maintenance of exports is regarded as satisfactory, especially as cattle exports, which form a substantial part of the country's trade, rose from £13,549,000 in 1929 to £14,674,000 in 1930. Farm work generally is well advanced and farmers have taken full advantage of the recent mild weather. Livestock are in good condition, and there is a growing demand for seed potatoes. The acreage under winter wheat and oats is lower than that of any previous year, this being due to the unfavourable conditions that prevailed last October and November.

Foreign Reports

France

From Lloyds & National Provincial Foreign Bank Limited.

Paris.—The trade returns for 1930 recorded imports valued at Frs. 52,344 millions, against Frs. 58,220 millions in 1929; and exports at Frs. 42,829 millions, against Frs. 50,139 millions in 1929. Revenue receipts for the first nine months of the present financial year are Frs. 2,403 millions below those for the corresponding period of 1929, but are more than Frs. 1,000 millions above the budget estimates. A general recovery occurred on the Bourse during January, but this is believed to be a reaction against excessive professional selling, and not to be explained by any improvement in the general economic situation of the country.

Bordeaux.—Work in the vineyards has lately been hampered by unfavourable weather. Resin prices have stiffened in sympathy with those current in America, but business remains restricted.

Le Havre.—Spot coffee prices remained unchanged but those for distant months rose by six to eight points. Business is dull. Cotton prices have lately risen by 18 to 24 points on encouraging reports from the United States.

Lille.—The textile industries show no improvement. Cotton spinners are curtailing production, and prospects are overshadowed by the labour situation. The market is quiet and business difficult. In the linen trade there is a slightly better export demand for yarns, mainly from Germany and Italy. Soviet flax prices are considered to be too high, and no sales are at the moment being effected. It has also been a quiet month for local flax. The jute trade is inactive, and weavers have reduced production by 50 per cent. Oil-seed prices are firmer, owing to unfavourable Argentine crop reports.

Marseilles.—The oil-seeds market is a little more active at firmer prices. There has been a much better demand for olive oil, and prices have risen appreciably.

Roubaix.—Wool prices have lately rallied, and the pervading tone is now a little better. France has abstained from buying in the primary markets during the past two months, and so the quantity of raw wool coming forward has been less than usual. This has affected the combers, and short time appears inevitable unless purchases of raw wool are resumed. Spinners are better placed, though they find it difficult to get new orders, especially for export. Weavers are in a very difficult position. New orders are very scarce and unprofitable, and many are either closing down from Friday night to Tuesday morning or have part of their plant out of action. Unemployment is increasing gradually, and is likely to become more serious.

Belgium

From Lloyds & National Provincial Foreign Bank Limited.

Brussels.—The iron and steel trades are very depressed. Business is reduced to a minimum and prices remain very weak. This situation continues to affect the coal trade, and stocks at pit-head continue to increase. There was a general rally on the Bourse early in February, but industrial share prices have since reacted. Gilt-edged stocks, however, remain firm.

Antwerp.—There has been some slight movement in grain and wool, and coffee has been steady. Other markets show little sign of improvement. The tone on the Bourse is nervous, and Government securities have receded slightly for the first time for many months.

Germany

From the Bank of British West Africa Limited

Considerably reduced exports of finished goods were responsible for a fall of RM. 128 millions to RM. 775 millions in German exports for January, but as imports also fell by RM. 82 millions, there was a favourable balance of trade of RM. 150 millions. This is still up to the monthly average of 1930. The energy and success with which the Government has handled the political situation since the re-assembly of the Reichstag led to a general scramble to cover on an oversold Bourse, and the "Berliner Tageblatt" industrial share index rose from 75·2 on 30th January to 81·2 on 13th February. The Exchequer, however, reports a deficit of RM. 1,189 millions for the 9 months to 31st December, 1930. Several undertakings are endeavouring to alleviate the position on the labour market by introducing the 5-day week, with a corresponding reduction of wages. The Harburg Oil Works, Brinckmann & Mergell, have issued an interesting pamphlet reporting favourably on their experiences with the system. It has also been lately adopted by the Allgemeine Electricitäts Gesellschaft. During January the number of unemployed increased from 4,357,000 to 4,894,000. The steel and iron markets are dull, lower prices having been quoted to obtain foreign orders. The Reichs Railway Co. has concluded an agreement with the forwarding firm Schencker & Co., which will result in a considerable reduction to the public in the cost of handling goods, but the remaining forwarding firms are organising strong opposition to this arrangement.

Holland

The trade depression is increasing, and unemployment has now risen to 200,000. Means of increasing financial assistance to the unemployed are being devised, one of the proposals being to revive the post-war "crisis service," which was abolished in 1924. This service would be financed partly from the surplus existing in the war loan redemption fund, and partly by increasing the cigarette duty. Short time is now being worked in the electric lamp and wireless industries, and a number of operatives have also been dismissed. Many shipping firms have had to dismiss some of their junior officers, and to reduce senior officers

to lower grades. Sugar factories are by no means fully employed. A better tone has recently been noticeable on the Stock Exchange. Money remains very easy, and interest is taken in 4 per cent provincial and municipal bonds, which are being readily placed at a price of about 97 per cent. The Government will soon be making arrangements for the conversion of a 5 per cent loan.

Norway

Imports for 1930 were valued at Kr. 1,067·1 millions, against Kr. 1,072·6 millions in 1929. Exports were valued at Kr. 683·7 millions, against Kr. 752·0 millions in 1929. The 1930 adverse trade balance was thus Kr. 383·4 millions. On the Oslo Exchange money remains easy, and there has been greater activity in bonds. The share market has been less active, and whaling shares in particular have been irregular owing to the uncertain position of the industry which has been magnified by numerous unfounded rumours. It is generally agreed that the output of whale oil must be restricted, preferably by international agreement, but nothing definite has yet been decided. The timber market remains dull, and exporters are adopting a reserved attitude.

Sweden

The Swedish discount rate has been reduced to the unprecedently low level of 3 per cent, and the Government is taking advantage of this situation to convert part of the 6 per cent 1921 loan of Kr. 94,000,000. January timber contracts amounted to only 65,000 standards. Strong sulphite pulp has been a firmer market, and some fair contracts have been arranged with the United States. Swedish newsprint manufacturers booked sufficient orders during January to employ many of them for the first half of the year.

Denmark

Both wholesale prices and the cost of living have again fallen, to 118 and to 159, respectively. The latter decrease has permitted of a reduction in civil service salaries, equivalent

to a net saving to the State of Kr. 6,500,000. The 1930 trade returns give imports at Kr. 1,727 millions, against Kr. 1,794 millions in 1929; and exports at Kr. 1,610 millions, against Kr. 1,713 millions in 1929. These small reductions since 1929 are more than accounted for by the fall in prices, and so there has probably been an increase in volume. Butter prices have improved lately under the influence of a better continental demand. Eggs and bacon prices have again fallen, but in agricultural circles a more hopeful view is now taken of the situation.

Switzerland

From Lloyds & National Provincial Foreign Bank Limited.

Unemployment is increasing, and goods traffic returns are falling. The textile, embroidery and watch industries are having to reduce production, and there is no improvement in the metal and machinery trades. Chemical manufacturers, however, are well employed, and firms engaged in the foodstuffs, drink and tobacco trades are meeting with a good home demand. The building trades are also active. In general, the purchasing power of the home market is maintained at a high level, but the export trades are hard hit by the general depression.

Spain

The difficulties involved in the return to constitutional government have led to the cancellation of the elections which were to have been on the 1st March. The uncertainty produced by the political situation has counteracted any improvement in the exchange that might have arisen from the publication of the trade statistics for 1930, which showed a small balance in favour of Spain, as against an adverse balance of 600 million pesetas for the preceding year. A gradual decline in Spain's participation in the English orange market, together with complaints this year of bad packing and low-grade fruit, have called the Government's attention to the need for closer supervision, in order that Spain may compete successfully with the Palestine fruit. The profit accruing to the Treasury from the third year's working of the petrol monopoly is estimated at

170 million pesetas, as against a revenue of 50 million pesetas from petrol before the concession. Petrol prices in Spain have remained slightly below those ruling in neighbouring countries. Cotton cultivation continues to make great progress. In the season 1929-30, 3,000 tons were produced, as against 2,000 tons in 1928-29. As Spain imports annually 90,000 tons of raw cotton, and exports 6,000 tons of cotton fabrics, the successful cultivation of this plant has an important bearing on her foreign trade.

Morocco

From the Bank of British West Africa Limited

The general outlook has become decidedly more promising, as rain has fallen in all parts of the country. Crop prospects are good, and credit conditions are a little easier. Some revival in demand, due to scarcity of stocks, for Manchester cottons is reported from Fez and Marrakech, at better prices, although the month's fast of Ramadan continues. Persistent cold weather is keeping the locusts immobile in the southern valleys of the Atlas. Egg exports are still good, but the season is well advanced. There is a serious shortage of animals, particularly of sheep and oxen. Phosphate exports continue to expand. Land registration in Agadir and district is progressing.

The United States

January witnessed some improvement in industry, though part of it was probably seasonal. Still, a better feeling is apparent, both in business circles and on the Stock Exchange. Money is easy and plentiful, but a fair amount of short money has lately been transferred to London for employment. As regards industrial conditions, the number of furnaces in blast rose during January from 95 to 107, and pig iron and steel production was higher than in December. Mills have lately been working at 47 per cent of capacity. Raw cotton prices have on balance improved since the New Year. Sales of standard cotton cloths for January were 118·3 per cent of production and stocks decreased by 2·3 per cent.

South America

From the Bank of London & South America Limited

Buenos Aires.—The exchange has lately improved, and there are signs of a recovery in the cereal markets and in linseed prices, due to damage by rain to the wheat and linseed crops, which may reduce the export surplus of both commodities. Maize crop prospects are good.

Monte Video.—There is a fair movement in the cattle market at steady prices. The wool market is active. Three-quarters of the last clip have already been sold, and latest prices are a little better. Harvest results are poor, and excessive rain has seriously damaged the wheat and linseed crops.

Valparaiso.—Latest crop estimates reveal a decrease of 30 to 40 per cent below last year's figures. Rain has damaged the barley crop.

Bogota.—Business is quiet, but stocks are low, and importers are placing fresh orders. The drought has at last broken, and coffee prospects are good.

Japan.

Exports for 1930 totalled Y. 1,518,000,000, and imports Y. 1,680,000,000. Gold shipments during the year came to Y. 308,000,000. In January there was a small favourable trade balance of Y. 1,800,000, for the first time for several years. Money remains cheap and plentiful, and prices both of shares and commodities firm, as a result of the favourable January trade balance. Sales of raw silk have remained satisfactory. Exports of cotton goods have improved, due partly to the relaxing of the Indian boycott. Production in the spinning industry, which has lately been heavily curtailed, is to be expanded to a small extent.

Banking

1. BANK OF ENGLAND

Date.	Issue Department.		Banking Department.				
	Gold.	Notes in circulation.	Reserve and Proportion.		Bankers' Deposits.	Govt. Securities.	Discounts & Advances
1930.	£ mn.	£ mn.	£ mn.	Per cent.	£ mn.	£ mn.	£ mn.
Feb. 19 ..	*151·0*	*345·6*	*66·1*	*61·4*	*59·2*	*38·6*	*4·7*
1931.							
Jan. 28 ..	139·5	346·8	53·3	49·4	55·2	41·1	9·7
Feb. 4 ..	140·4	349·5	51·6	48·6	62·6	43·0	6·3
Feb. 11 ..	140·5	347·2	54·0	51·3	57·7	36·4	9·6
Feb. 18 ..	140·4	344·1	57·1	52·1	61·1	36·1	9·7

2. TEN CLEARING BANKS

Date.	Deposits.	Acceptances.	Cash.*	Call Money.	Bills.	Investments.	Advances.
1930.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
January	*1,805·0*	*164·4*	*248·3*	*144·2*	*245·2*	*247·9*	*985·4*
August	1,803·8	121·7	236·0	137·2	281·2	265·4	950·7
September ..	1,800·7	117·8	233·0	136·2	285·7	270·1	941·9
October	1,827·7	116·4	239·7	145·2	297·9	272·1	938·8
November ..	1,838·0	116·3	238·1	138·9	311·4	279·9	935·4
December ..	1,875·8	117·5	261·5	144·0	321·5	284·7	928·7
1931.							
January	1,873·3	115·0	243·7	144·3	329·7	296·9	923·9

* Includes balances with other banks and cheques in course of collection.

3. LLOYDS BANK. RATIO OF CURRENT ACCOUNT CREDIT BALANCES TO TOTAL DEPOSITS

Year.	Ratio.	Month.	Ratio.		
			1929	1930	1931
			%	%	%
1902	58·2	January	46·8	45·1	45·9
1914	49·9	February	45·9	44·2	
1919	60·7	March	45·2	44·5	
1920	56·7	April	44·9	45·1	
1921	50·7	May	44·1	44·0	
1924	51·0	June	44·5	44·4	
1925	49·6	July	45·4	44·7	
1926	48·6	August	45·3	44·4	
1927	47·4	September	45·3	44·7	
1928	46·4	October	45·6	44·8	
1929	45·2	November	44·7	44·8	
1930	44·7	December	45·3	46·0	

Money, Exchanges and Public Finance

1. LONDON AND NEW YORK MONEY RATES

Date.	London. Bank Rate.	London. 3 Months' discount Rate.	London. Day-to-day Loans.	New York. Re-discount Rate.	New York. 90 Days' eligible Bank acceptances.	New York. Call Money.
	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
1930.						
Feb. 19 ..	$4\frac{1}{2}$	$3\frac{3}{4}$	3 — $3\frac{1}{2}$	4	$3\frac{7}{8}$	$4\frac{1}{2}$
1931.						
Jan. 28 ..	3	$2\frac{7}{16}$	1 — $2\frac{1}{4}$	2	$1\frac{1}{2}$	$1\frac{1}{4}$
Feb. 4 ..	3	$2\frac{7}{16}$ — $\frac{15}{32}$	2 — $2\frac{3}{4}$	2	$1\frac{1}{2}$	$1\frac{1}{2}$
Feb. 11 ..	3	$2\frac{1}{2}$	2 — $3\frac{1}{4}$	2	$1\frac{3}{8}$	$1\frac{1}{2}$
Feb. 18 ..	3	$2\frac{9}{16}$ — $\frac{5}{8}$	$1\frac{3}{4}$ — 2	2	$1\frac{1}{2}$	$1\frac{1}{2}$

2. FOREIGN EXCHANGES

London on	Par.	1930. Feb. 19.	1931. Jan. 28.	1931. Feb. 4.	1931. Feb. 11.	1931. Feb. 18.
New York ..	\$4·866	$4·85\frac{15}{16}$	$4·85\frac{21}{32}$	$4·85\frac{29}{32}$	$4·86\frac{1}{8}$	$4·85\frac{31}{32}$
Montreal ..	\$4·866	$4·88\frac{3}{4}$	4·86	$4·86\frac{1}{8}$	$4·86\frac{1}{8}$	$4·85\frac{3}{4}$
Paris	Fr. 124·21	$124·27\frac{1}{2}$	$123·91\frac{1}{2}$	$123·93\frac{1}{2}$	$123·97\frac{1}{2}$	123·92
Berlin	Mk. 20·43	$20·36\frac{7}{8}$	20·44	20·43	$20·44\frac{1}{2}$	20·44
Amsterdam ..	Fl. 12·11	$12·11\frac{3}{4}$	$12·07\frac{13}{16}$	$12·09\frac{3}{8}$	$12·10\frac{7}{8}$	$12·10\frac{3}{4}$
Brussels ..	Bel. 35	$34·89\frac{3}{4}$	34·83	$34·83\frac{1}{2}$	$34·85\frac{3}{4}$	34·86
Milan	Li. 92·46	92·86	$92·76\frac{1}{2}$	92·80	92·86	$92·81\frac{1}{2}$
Berne	Fr. $25·22\frac{1}{2}$	$25·19\frac{1}{2}$	25·11	$25·15\frac{7}{8}$	25·18	$25·17\frac{1}{2}$
Stockholm ..	Kr. 18·16	18·12	$18·14\frac{1}{2}$	$18·14\frac{3}{8}$	18·15	$18·14\frac{3}{4}$
Madrid ..	Ptas. $25·22\frac{1}{2}$	$38·82\frac{1}{2}$	47·00	48·00	49·05	48·35
Vienna	Sch. $34·58\frac{1}{2}$	$34·50\frac{1}{2}$	34·54	$34·56\frac{1}{2}$	34·61	$34·57\frac{1}{2}$
Prague	Kr. 164·25	$164\frac{1}{8}$	$164\frac{1}{16}$	$164\frac{5}{32}$	$164\frac{1}{4}$	$164\frac{3}{32}$
Buenos Aires ..	47·62d.	$42\frac{1}{2}$	$34\frac{3}{16}$	$34\frac{7}{32}$	$34\frac{15}{16}$	$36\frac{1}{32}$
Rio de Janeiro ..	5·89d.	$5\frac{17}{32}$	$4\frac{3}{16}$	$4\frac{11}{64}$	$4\frac{5}{16}$	$4\frac{9}{32}$
Valparaiso ..	Pes. 40	39·79	39·96	39·92	39·87	39·92
Bombay ..	18d.	$17\frac{59}{64}$	$17\frac{25}{32}$	$17\frac{27}{32}$	$17\frac{3}{4}$	$17\frac{25}{32}$
Hong Kong ..	—d.	$18\frac{7}{8}$	$11\frac{7}{8}$	$11\frac{5}{8}$	$11\frac{1}{8}$	11†
Shanghai ..	—d.	$23\frac{7}{8}$	$15\frac{3}{4}$	$14\frac{23}{32}$	$14\frac{7}{16}$	$14\frac{1}{16}$ †

† Holiday.

3. PUBLIC REVENUE AND EXPENDITURE

Revenue.	To Feb. 14, 1931.	To Feb. 15, 1930.	Expenditure.	To Feb. 14, 1931.	To Feb. 15, 1930.
Income Tax ..	169·6	162·0	Nat. Debt Service ..	283·1	300·7
Sur-Tax	39·1	33·5	Local Taxation a/c payments	—	8·2
Estate Duties ..	70·2	69·3	Northern Ireland payments	4·9	4·2
Stamps	15·7	19·8	Other Cons. Fund Services	2·3	2·8
Customs	104·1	104·6	Supply Services	364·6	318·3
Excise	108·5	111·3	Ordinary Expenditure ..	654·9	634·3
Tax Revenue ..	512·0	505·6	Sinking Fund	43·1	40·6
Non-Tax Revenue ..	88·0	72·1	Self-Balancing Expenditure	72·1	70·7
Ordinary Revenue	600·0	577·7			
Self-Balancing Revenue	72·1	70·7			

Trade

1. PRODUCTION

Date.	Coal.*	Pig-iron.	Steel.
1930.	Tons mn.	Tons thou.	Tons thou.
January	*5·3*	*650*	*771*
August	4·2	417	451
September	4·6	425	581
October	4·7	415	513
November	4·9	384	434
December	4·6	350	337
1931.			
January	4·4	337	402

* Average weekly figures for month.

2. IMPORTS

Date.	Food.	Raw Materials.	Manufactured Goods.	Total.
1930.	£ mn.	£ mn.	£ mn.	£ mn.
January	*42·9*	*30·1*	*28·0*	*101·9*
August	37·1	17·5	24·2	79·9
September	36·7	16·5	24·6	78·7
October	44·1	18·1	27·7	90·9
November	40·6	16·5	21·6	79·4
December	44·4	20·6	23·8	89·6
1931.				
January	36·2	17·9	20·4	75·6

3. EXPORTS

Date.	Food.	Raw Materials.	Manufactured Goods.	Total.
1930.	£ mn.	£ mn.	£ mn.	£ mn.
January	*4·6*	*6·9*	*44·7*	*58·3*
August	4·0	4·4	33·1	42·8
September	4·2	5·0	32·1	42·7
October	4·4	5·3	35·9	46·9
November	4·8	4·7	32·7	44·1
December	3·5	4·7	27·6	38·5
1931.				
January	3·7	3·7	28·7	37·6

4. UNEMPLOYMENT

Date.	1926.	1927.	1928.	1929.	1930.	1931.
	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
End of—						
January ..	11·0	12·0	10·7	12·2	12·6	21·5
February ..	10·4	10·9	10·4	12·2	13·1	
March ..	9·8	9·8	9·5	10·1	14·0	
April ..	9·1	9·4	9·5	9·9	14·6	
May ..	14·3	8·7	9·8	9·9	15·3	
June ..	14·6	8·8	10·7	9·8	15·4	
July ..	14·4	9·2	11·6	9·9	16·7	
August ..	14·0	9·3	11·6	10·1	17·1	
September ..	13·7	9·3	11·4	10·0	17·6	
October ..	13·6	9·5	11·8	10·4	18·7	
November ..	13·5	9·9	12·1	11·0	19·1	
December ..	11·9	9·8	11·2	11·1	20·2	

Percentage of Insured Workers.

Prices

1. WHOLESALE PRICES (average for month)

Date.	Index Number (1928–9 average = 100). U.K.	U.S.A.	France.	Italy.	Germany.
1930.					
January	*93.6*	*96·1*	*91·5*	*92·9*	*95·4*
August	82·4	85·7	87·4	82·5	89·9
September	80·4	85·8	86·2	81·6	89·0
October	78·4	85·1	83·5	79·2	86·5
November	78·0	83·8	81·9	77·7	87·0
December	75·6	82·0	80·2	75·6	84·8
1931.					
January	73.9	80·0	79·2	74·1	82·8
January, 4th week	73·2	79·4	79·0	73·5	82.1
February, 1st week	72·5	78·7	79·0	73·5	82·0
„ 2nd week	72·2	78·6	79·0	73·4	82·5
„ 3rd week	72·6	78·1	—	73·2	82·2

Sources: U.K., "Financial Times"; U.S.A., Irving Fisher; France, Statistique Générale; Italy, Italian Chamber of Commerce; Germany, Statistische, Reichsamt.

2. RETAIL PRICES (end of month)

Date.	Food.	Rent (including rates).	Clothing.	Fuel and Light.	Other items included.	All items included.
1930.						
January	*54*	*52*	*115*	*75*	*80*	*64*
August	44	53	110	70	75	57
September	43	53	105—110	70—75	75	56
October	44	53	105—110	70—75	75	57
November	41	54	105	75	75	55
December	38	54	105	75	75	53
1931.						
January	36	54	100—105	75	75	52

The figures represent the percentage increase above July, 1914, which is equal to 100.

3. COMMODITY PRICES (average for month)

Date.	Wheat, No. 1 N. Manitoba.		Cotton, American Middling.	Wool, 64's tops avge.	Pig Iron, Cleveland No. 3.		Tin, Standard Cash.	Rubber, Plantation Sheet.
1930.	Per qr.		Per lb.	Per lb.	Per ton.		Per ton.	Per lb.
	s.	d.	d.	d.	s.	d.	£	d.
January	*53*	*4*	*9·36*	*29½*	*72*	*6*	*175⅛*	*7½*
August	39	9	6·92	27¾	65	1	135 $\frac{1}{16}$	4⅞
September	34	5⅛	6·22	27	63	6	132 $\frac{11}{16}$	4⅜
October	31	9	5·81	24⅜	63	6	117 $\frac{9}{16}$	3⅞
November	30	1	6·07	24	63	6	113 $\frac{9}{16}$	4⅛
December	27	3	5·41	22⅞	63	6	111⅝	4⅛
1931.								
January	26	6	5·42	21¼	59	6	115⅞	4⅛